

Microfinance and Entrepreneurship –A Case Study of Akhuwat

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ABSTRACT

This research report shows how micro-entrepreneurship, social entrepreneurship and micro-finance serve as a combined tool to reduce poverty, empower people and contribute towards sustainable development in Pakistan by taking Akhuwatfoundation as a proper case. Interest free microfinance is a different strategy to fight against poverty which provides the best way to the government and society as a whole, to encourage people for business on innovative lines. Akhuwat lends loan without interest to poor people of society taking only one time membership fee which is used for operating expenses. The study reveals that combination of Microfinance and Entrepreneurship is a very effective development tool. This can alleviate poverty, empower people with more speed and bring new ways for micro businesses. Micro entrepreneurs can save resources, utilize them in more productive way and can get productive results through this.

Keywords: Microfinance ; Entrepreneurship ; Case Study ; Akhuwat

Introduction:

Today, the world faces the major challenge of reducing poverty. Of the world's approximately 6.4 billion people, 2.8 billion live on less than two dollars a day and 1.2 billion live on less than one dollar a day. Of these 1.2 billion, 500 million live in South Asia. Pakistan is among the most populated countries of the world and facing the issues like high population growth and increasing ratio of labor force. Pakistan's total population is 164.7 million with annual growth rate of 1.8 percent (Economics Survey, 2007-08). Pakistan has 50.33 million active labor force out of which 2.68 million is unemployed. If we look at gender-wise employment, women contribution towards employment is only 25 percent (10.08 million out 50.33 million) despite women ration of 49.6% in population. Government of Pakistan has taken many steps to increase women participation in labor force, still women ratio is very less to over all labor force and it is not matching world standards and trends about women participation in business and job opportunities. (State Bank of

Pakistan, Annual Report 2007). These facts show potential to work in microfinance to encourage people and specially women to develop their own entrepreneur so that men in general and women specially can contribute a productive part in society to make it sustainable. To combat unemployment, only big companies or public sector are not enough for job creation but it would be better if people start their own business for making society productive. Micro-financing is not a new idea; it has been successfully implemented by Grameen bank. Back to 1976, Many MFIs adopted idea adding with new strategies and now serving poor in an effective way. This successful approach is now famous as Grameen Model (Khan, Rehman, 2007).

Definitions of Key Terms:

Entrepreneurship

Joseph Schumpeter, (1943) defined entrepreneurship as “the assumption of risk and responsibility in designing and implementing a business strategy or starting a business”. J.W. Gough, (1969) stated that entrepreneurship “refers to a person who undertakes and operates a new enterprise or venture, and assumes some accountability for the inherent risks”.

Microfinance

World Bank Report, (2007) referred microfinance as “Small loans that help poor people who wish to start or expand their small business but, are not able to get banks to lend to them. Also called micro lending”. According to Asian Development Bank (2008) “Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers and insurance to poor and low-income households and their micro enterprises”. Similarly, State Bank of Pakistan referred it as the financial services needs including credit, savings, insurance and payment transfers etc, of the poor households and their micro enterprises. A good definition of microfinance is provided by Robinson, (2006). He defined it as: “Microfinance refers to small-scale financial services for both credits and deposits that are provided to people who farm or fish or herd; operate small or micro enterprises where goods are produced, recycled, repaired, or traded; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, animals or machinery and tools; and to other individuals and local group in developing countries, in both rural and urban areas.”

Social Entrepreneurship

“Social Entrepreneurship concept is known in practice as which includes wide range of activities like individuals in enterprises devoted to making a difference; social purpose business ventures

devoted to adding to profit, motivations to the nonprofit sector; and nonprofit organizations that are reinventing and making innovations as a change makers by drawing lessons learnt from the business world” (Peredo, McLean, 2006).

Significance of the Study:

Entrepreneurship and Social Entrepreneurship is emerging thread in business and a lot of research is doing on this. Much research work has been done on microfinance and entrepreneurship while discussing Grameen mode. But this research will be a novel idea for both fields in term of combining microfinance and entrepreneurship and investigating interest free microfinance with entrepreneurship. Research will give a vision, to Akhuwat that how they can improve microfinance lending process, and other Microfinance institutions (MFIs) that how they can develop process in more effective way. Research will also provide a new sphere to MFIs towards a new approach of microfinance. Further, students, researchers in Microfinance field, NGOs and Government organizations can extend research in this area to address the issue of poverty alleviation and empowerment of poor.

Research Study:

The basis question for this research is to determine as to how Akhuwat’s way of microfinance is developing entrepreneurship in low income communities of Pakistan, a developing country, and how this organization is contributing towards her sustainable development through alleviation of poverty.

Objective of the Study:

Objective of this Research Thesis is to establish linkage between micro entrepreneurship, social entrepreneurship and Islamic microfinance as the combined tools with reduction in poverty, empowerment of people and their contribution to sustainable development in Pakistan.

Literature Review

According to Lidgerwood (2000, pp.1) “Microfinance has evolved as an economic development approach intended to benefit low-income women and men. The term refers to the provision of financial services to low-income clients, including the self employed.” Microfinance are financial services designed specifically for poor to improve their lives in a sustainable way.

Characteristics of Microfinance:

Lenders (financial institutions) finance sellers and buyers for their economic activities whereas Commercial banks invest in projects on large scale as well in consumer finance. MFIs don’t

usually invest in consumer finance but they give finance only for micro enterprise so as to encourage people to lift up their standards by doing businesses and earning there-from in a consistent and sustainable way. According to Ledgerwood (2000, pp.1), there are many characteristics associated with micro-financing such as: small and short term loan, social rather than financial collateral, access to larger amount of loan if repayment performance is positive, search and access to the real poor and their business demand, continuous monitoring of business, loan on higher interest rates due to expensive financial transactions and risk factor, easy way to access finance, saving services to borrowers even for the smallest amount, training services to borrowers for their business development and literacy orientation to borrowers so that borrowers can effectively deal with their daily business problems

Microfinance as a Development Tool:

Low economic activity in low income communities is primarily due to lack of financial resources. In developing countries, people from low income communities like shopkeepers or household products manufacturers have innovative ideas for their business but they do not have any financial resources to implement them. This phenomenon leads them to more poverty and poor standard of life. MFIs generally provide financial services covering savings and credit activities which according to Ledgerwood (2000) also provide insurance and payment services to their clients. But important role of MFIs is not only financial intermediation but also social intermediation and social services to their clients. Social intermediation and social services contain many activities including trainings, management development and financial literacy activities. Furthermore, many MFIs arrange get-togethers where experienced people provided guidance and exchange useful suggestions, tips and tactics for business development. Therefore, the main purpose and object of microfinance is to provide financial services with social services which together make it as a development tool. Many MFI's also provide Enterprise Formation and Enterprise Transformation services. In enterprise formation, MFIs provide technical support to group or individual in start up of business development and maturing of ideas and skills. While in transformation of enterprise, MFIs arrange trainings for their borrowers, workshops and get-togethers for developing skills in their business areas. (Ledgerwood, 2000). According to microfinance practitioners, poverty can be addressed by financing productive activities of poor which can result in their access to life necessities. But financial lending is only one tool to poverty alleviation. Poor needs more than microfinance to address the problems of poverty and

accessibility to other life needs like food, health, family planning, education, social support network and so on. Therefore, Ledgerwood (2000) addresses that MFIs serve to their clients with additional social services with financial intermediation. These supportive services, actually, play important role in sustainable human development and livelihood of the poor (Khan, Rahman, 1998).

Microfinance Models:

Grameen Model:

In Grameen Model, primary unit to whom funds are lent is a group of five members that organizes the business. In the first place, loan is granted to two members to invest in their business. If these succeed to repay loan, then four to six weeks later next two members are granted loan. Last one member will be eligible for loan if previous two repay loan successfully. Repayment of loan opens doors for next loan and then it goes on if all members repay loan successfully. If anyone of the group members defaults in her loan, whole group will be disqualified for any further loan. So, social rather the financial collateral is involved in this model of lending. Each group has its own president and secretary to coordinate all activities among themselves and to communicate and coordinate with other group. Eight groups are then organized at center level by which a bank officer deals with them. This center of eight groups has its own center chief and center group leader (Khan & Rehman, 2007). According to Sengupta & Aubuchon (2008), first time the bank granted loan of \$100 at the rate of 10% per annum with weekly repayments. This ensured loan security and encouraged them to save along-with 5% of loan deposited in group account to meet any emergency and social needs. For example, in case of any health care need of any one member or an emergency, this 5% deposit will serve as a fallback for the members in difficulty to pay for the unforeseen expenses. In Grameen model, unique and innovative approach of group lending is used. As Sengupta, Aubuchon (2008) has described that group lending has many benefits. Firstly, members of the group organized are usually neighbors to each others who can understand and recognize their needs very well. Secondly, if anyone of the group members is not present in its meeting, leader or other member can pay its due installment which depicts existence of mutual understanding amongst all members. Thirdly, in South Asia in general and Bangladesh in particular, there are social pressures among members of society which in binding on them. If one member of group does not pay even one installment, social pressure will be exerted on the defaulting member from

all eight members of the group due to which he/she will try to make the payment. This leads to the reduction of risk.

Progressive Lending-Banco Sol Model:

Grameen model of microfinance emphasizes on lending to villagers with relatively much smaller loan installments. The other core concept of model is formation of groups which are eligible to take loan. No option of loan is available for individuals. Progressive lending as an extension of group lending (Grameen Model) is now being adopted by many MFIs. The idea of progressive lending (Agiorn&Morduch, 2005, pp.119) is introduced to lend to individuals. This method is very helpful in low population or highly population diversity areas where group forming is not so easy due to different ratios of safe and risky borrowers. This model is initially adopted by Banco Sol in Bolivia where situation is different. Banco Sol, in an effort to address the problem of urban unemployment, start providing credit to the cash-strapped informal sector. In order to fulfill the need of time, Banco Sol started operations in microfinance with progressive lending approach. The notion of commercial profitability was embraced relatively early in this approach."

Microfinance with a Difference:

Now, a new approach, interest free microfinance, is emerging. As in Islam, charging interest (Riba) on liquid cash is prohibited because by Islamic teachings, money is not an asset for earning profit (Dhumale, Sapcanin, p.1). Islam emphasizes on social, ethical and moral factor for distribution of wealth and guides towards social and economic justice. Islam encourages profit, rather than interest, which promotes productive activity and fosters sharing of profit and risk between lender and borrower. (Dhumale, Sapcanin, p.1-2). The basic motive behind this approach is more than profitability, repository of wealth but collective wisdom of development of business, sharing profit and loss and collective struggle for business development. The final gain from this is social benefit rather than only profit and its maximization which is helpful in development of microfinance and micro entrepreneurship. Mudaraba, Musharaka, Murabaha and Qard-e-Hasana (Segrado, 2005) are the most famous interest free financing methods. Mudaraba means transaction between financial institution (capital provider) and borrower (entrepreneur) who do not have any pre-decided interest rate factor except that they work on the basis of profit and loss sharing basis. According to Zaher, Kaber (Segrado, 2005, p.11). "Mudaraba is a trust based financing agreement whereby an investor (Islamic bank) entrusts capital to an agent (Mudarib) for a project. Profits are based on a pre-arranged and agreed ratio. This agreement is

akin to the Western style of limited partnership where one party contributes capital while the other manages business and the profit is distributed on the basis of negotiated percentage of ownership. In case of a loss, the lender earns no return or negative return on its investment and the agent receives no compensation for his (her) effort". Musharakais same like a joint venture between two or more persons or institutions. According to Segrado (2005). "Two parties provide capital for a project which both may manage. Profits are shared on pre-agreed ratios but losses are borne in proportion to equity participation". So the business is not based on profit sharing but on decision making, management capacity and role in business. On the other hand, in Murabaha, MFIs first buy items and then resell them to borrowers by adding some reasonable profit/markup (Habib, 2005). After this, an agreement is executed for repayment of loan to lender in installments for an agreed tenure while ownership of goods remains in the name of MFIs until full liquidation of credit. It is important to mention here that markup or profit added to actual amount by MFIs is considered as administrative cost which, under Islamic practices, should be as minimum, as possible. The Murabaha contract is similar to trade finance in the context of working capital loans and leasing in the context of fixed capital loans. Finally, The principle of Qarz-e-Hassna is that lender gives loan to borrowers without any profit/extra amount or interest, and depton is supposed to return back as per pre-decided date but lender will not press to return back soon (Mirakhor, Iqbal, 2007). The Prophet Muhammad (PBUH) has said that "the inmates of Paradise are of three types: one who wields authority and is just and fair; one who is truthful and has been endowed with power to do good deeds and the person who is merciful and kindhearted towards his relatives and to every pious Muslim, and who does not stretch out his hand in spite of having a large family to support [Sahih Muslim]" (Hussain, 2004). Teachings of Islam encourage the rich poor to help poor so that poor could also benefit from social services and uplift their standards of life. Working of Qarz-e-Hassna is the same as that of conventional MFIs except that no interest is charges and no strict fine or charges are recovered on default or delay in payment of loan. The rules relating to Qarz-e-Hassna as outlined by Hussain (2004), have been stated as under:

- There should be proper contract between lender and borrower in which all terms and conditions will be written.
- Date of payment must be specified.
- Loan contract should be written.

- Two witnesses should be obtained as per Shariah.
- The membership or administrative fee may be charged.

Entrepreneurship:

Entrepreneurship is one of the most widely used terms in business, management, economics and other related fields which has different meanings for different people. Some use it for innovation, creativity, risk taking, leadership, profit maximization or in social context and some consider it as start up of business, new production methods, etc. Davidsson, (2004) describes entrepreneurship as the rich phenomenon which makes it as resourceful field. Adam Smith (1776) defines entrepreneurship as “transformation of demand into supply for profit.” Two schools of thought about entrepreneurship are famous while defining entrepreneurship; these are Schumpeter’s theory of entrepreneurship and Austrian theory of entrepreneurial discovery.

Schumpeter Theory of Entrepreneur:

According to Schumpeter (Swedburg, 2000), innovation is to combine material and forces, which are under reach, with different methods or with new combination to produce a new innovative products. By this definition, it is important to consider that Schumpeter emphasizes on innovation rather than invention. According to Mondal (p.6), “Schumpeter’s model works through the transformation of production function. A production function is the technological relationship between inputs and outputs.” Further, salient features of innovation and the resultant products are: (1) introduction of new good for users or new quality of good (2) introduction of new method of production handling and production system in a new way (3) opening of new market where company does not enter before, even existing or new market (4) conquest o new source of supply of raw materials (5) carrying out of the new organization of any industry, like creation of monopoly organization. These all steps indicate a kind of innovation by combining sources, materials and functions to produce a new product or service. Other major contribution of Schumpeter theory also discusses motivation of the entrepreneur. First, it discusses about the desire and will o entrepreneur to establish an organization where entrepreneur can work independently and enjoy power. Second, that he/she has will to become successful in his/her business. And third is joy and satisfaction on reaching his/her goals (Swedburg, 2000).

Theory of Entrepreneurial Discovery-Austrian Perspective:

In the Austrian Theory of Entrepreneurship (Swedburg, 2000), the entrepreneur anticipates market and need of customers exactly and correctly, produces more cheaply than competitor and

earns profit. Entrepreneur makes it useful for customers and as it will be more useful, entrepreneur can earn more. This idea directly indicates earning profit while anticipating market and customer needs in advance. By this theory, it is shown that successful entrepreneur will be that who can earn more profit. Entrepreneurial discovery emerged in Austrian economics with two elements. One, market is an entrepreneurially driven process and other is knowledge which can be increased by market interaction (Kirzner, 1997). Austrian entrepreneurial discovery theory has three main concepts which are entrepreneurial role, role of discovery and rivals' competition. From discussion, researchers perceive that Austrian approach emphasizes entrepreneurship with economic activity and market process.

Both theories have different and similar aspects on entrepreneurship. Different authors have different approaches on entrepreneurship; this may be due to their research, environment in which they are working, previous research and available literature. Innovation, risk taking and creativity are almost essential part of both theories. Schumpeter's theory mainly emphasizes on innovation and regrouping of resources to produce new product or service. And innovation always has risk with itself. By producing new product, accessing new market, adopting new production system, all lead to risk. In case of Austrian theory of Entrepreneurship, anticipating market and customer need is somewhat an innovative idea and it also leads to risk. According to Boettke, Coyne (p.5), "As compared to Schumpeter's characterization of the market process as creative destruction, Krizner emphasized that markets tend continually towards equilibrium, as a consequence o continually-stimulated entrepreneurial discoveries." So Schumpeter emphasizes on creative destruction while Austrian approach argues for market knowledge.

Methodology of the Research:

This research has used case study type qualitative approach to achieve its objectives. Both primary and secondary type data was collected and analyzed. For primary data, in-depth interviews were conducted with different Akhuwat's personnel, borrowers and experts in Islamic Microfinance. The objective of these interviews was to collect information about Islamic Finance, working methodology of microfinance, problems, future aspects, effect on poverty alleviation, social entrepreneurship, micro entrepreneurship, and working structure of microfinance. For secondary data collection, Akhuwat manuals, handouts and some reports were collected and content analyzed. On the other hand past published literature and books on microfinance and entrepreneurship were also analyzed. We also emphasized on State Bank of

Pakistan reports, other MFIs's reports from Pakistan Microfinance Network, Finance department, Government of Pakistan and other organizations and analyzed information in a more diversified way.

Findings:

Akhuwat was founded in year 2001 by Dr. Amjad Saqib. Since then, Akhuwat is providing micro-financing facilities to poor borrowers including both the individual borrowers and group loans. Till now, Akhuwat has served 13,000 beneficiaries through a credit pool of Rs.60 million and it has disbursed loans worth Rs.130 million. Akhuwat is currently working in the provinces of Punjab and Sindh. It operates with a small team of core staff and has succeeded in mobilizing volunteers to perform various administrative and professional tasks which have contributed to the low operational costs of the organization. It does not seek funding from international aid agencies but depends on the generous spirit of its board of directors, local businessmen and philanthropists to contribute to its credit pool. The loans are interest free and their repayment schedule is flexible and decided by the borrowers themselves according to the size of loan and the expected return on micro enterprise (Akhuwat, 2008). It provides loan for one year and once it is returned, it is lent again to another underprivileged family. Akhuwat is basically emphasizing on lending in urban areas but is also approaching small towns and expanding its outreach to rural areas. Following is the diagrammatical representation of Akhuwat's expansion paradigm:

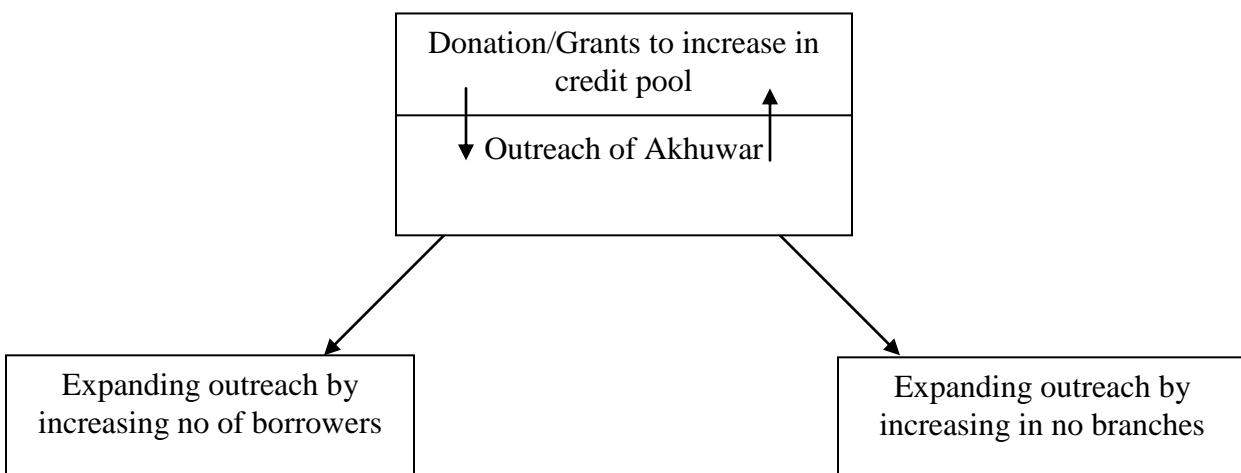


Fig: Outreach expansion paradigm

Akhuwat started to give loans with The Group loans methodology in 2001 and brought individual loans into action in 2003. Group lending focused especially on women who organized in Self

Help Groups which consisted of 10 people each. The group would select leader who would be a responsible person as a leader and 10 women should save Rs.3,000 each to be eligible for receiving the loans. After that group will receive loans by turn but for return of the loans, the whole group would be responsible. However there is no interest except the payment of membership fee of 5% because, according to Akhuwat, the borrower should feel the responsibility and value the loan. If there is no fee, they would take the money just as a free meal. In group lending, meetings are held every 2 weeks with group members and Akhuwat staff who discuss achievements and problems of the group, lessons to teach to group members about business ethics to achieve further business successes. (Akhuwatbook, p.7). Akhuwat has a large portfolio of individual lending too with a total of 14,711 beneficiaries. It has devised a rigorous appraisal method to ensure maximum recovery. In 2005, individual loan disbursements grew by almost 390 percent and in 2006 they grew by 135 percent.

Akhawat is utilizing mosques, temples and churches as meeting place. Almost all individual loan processing takes place in Mosques and Churches which are most important places in which everybody believes each other. Introductory programs are given after the prayer. Like, Mosques in Islam are central location for social gathering and provide opportunity to meet 5 times in a day and Akhuwat utilizes this opportunity. Every branch of Akhuwat is associated with a central mosque in the locality where operation are carried out. Disbursements will take place in mosque with the purpose to make sure that matters are looked after in an honest and transparent way. The motive behind this is the religious sanctity of mosque as a place of worship with the fear of accountability which helps the borrower to return the loan on time apart from the feeling of ‘barakat’ (blessings) of Allah SWT. Recently, nomenclature of individual loan has been changed to “Family loan” for productive purposes (Akhuwat, 2008). These family loans are now 91% of total loan disbursed by Akhuwat. They are charging five percent of total as membership/administration fee. This membership fee is covering 76% of total administrative cost while 24% shortfall is covered by contribution from Board of Directors of Akhuwat. One percent is charged as insurance of business to covers risk of death or accident. In case of death, loan is written off and Rs.5000 is provided for funeral expenses. If client is the only earning member, then Rs.1000 per month is provided for three months for basic expenditure. In case of handicapped, loan is written off and a wheelchair is provided to him/her. As Lidgerwood, (2000) suggests that MFIs should serve their clients with additional social services, Akhuwat is not only

giving micro credit but also offering liberation loan, housing loan, loan of education, health and marriage. Liberation loan is an innovation which no other commercial bank is offering. People get loans from one bank on any account and pay it to the other. Liberation loan is an innovation which no other commercial bank is offering. It is for those poor who borrowed money from other lender on high interest rates. Akhuwat pays principal amount of loan to lender and the borrower then repays this amount to Akhuwat in installments. Liberation loan is five percent of total disbursed amount. Housing Loan is not common practice of MFIs in Pakistan. Housing is a big problem because of increase in cost of construction and excessively high house rents. This has made construction of even small houses for the poor as extremely difficult. Akhuwat's sis facilitating poor to purchase home or build a new one. To uplift the standards of living of poor, Akhuwat is also offering loans for health, education and Marriage. In addition to all these, Akhuwat is also offering trainings to its borrowers for development and management of their enterprise so that they could run them professionally. On completion of repayment, borrowers will be facilitated by Akhuwat with additional loan amount. Akhuwat calls individual loan as a family loan because interaction with the family before giving loans, wife is made as a co-partner of loan. It is also placing special check and counter check on borrowers for criminal allegation or drug addiction. In Pakistan, microfinance borrowers are doing business successfully and therefore repayment ratio is more than 90 percent of many MFIs. For Akhuwat, this ratio is more than 99 percent.

The findings of qualitative research through direct observations and interviews with stakeholders of Akhuwat combined with careful study of relevant literature on microfinance and entrepreneurship have revealed that Microfinance and Entrepreneurship together can play an effective role in alleviation of poverty. This can empower people and bring new ways for development of micro businesses due to which micro entrepreneurs can save national resources and utilize them in more productive way that can ensure encouraging results. Globally, it has been established that micro finance banks are less vulnerable to economic upheavals resulting from internal and external shocks experienced by the economy. In case of Pakistan, during the period from mid eighties to mid nineties when economy was passing through turbulent time, the volume of non-performing loans of MFIs was much less than conventional commercial banks. Hence, to enable MFIs and commercial banks to play an effective role in making the masses economically empowered and to develop micro entrepreneurship in Pakistan, there is need to

integrate may also enter into MF market through variety of institutional arrangements which may seriously take care of the following crucial aspects and steps:

- Establishment of MF Counters in the existing branches
- Standalone MF branches either through conversion of existing branches or opening of new MF branches.
- Independent MF subsidiaries with independent and professional boards and management.
- Mobilization of deposits by each new branch to provide small loans and endeavors to reach break even point preferably within a period of one year.
- Full realization of the promise of micro credit through promulgation of new law to allow the private sector to start initiatives like the Khushali Bank. It should provide framework of operations under which licenses will be given to financially and managerially sound private parties.
- Encouragement and facilitation of new entrants so that the existing gap between the demand and supply of this service may be filled up.
- Move from single to multiple products as a key to financial and social sustainability of microfinance industry.
- Financial sustainability of microfinance through effective pricing of the credit.
- Government of Pakistan's departure from the current growth strategy which focuses on planning, production and mercantilism, to a more market and commerce based approach. The new approach should be more aligned with globalization, creativity and innovation. The new growth strategy must include all sectors, in particular, the domestic industry which till now has been neglected and discriminate.
- Introduction of entrepreneur friendly policies by the Government; rule of law, proper legal and judicial system so that micro businesses could flourish.
- Whole hearted encouragement of micro entrepreneur enabling it to access to credit as easily as possible with reduction in cost of finance. They must be supported with technical skills and organizational capabilities. There is a need to bring them at par with national and multinational companies in Pakistan and abroad. Although attempts have been made earlier in this respect but for lack of institutionalized efforts, business networking and trust, the desired results have not been achieved. NAVTEC & TEVTA

need to be made powerful and their coordination with the poly technical and vocational institute must be strengthened to train work force for MFIs.

- Promotion of education, at all levels, that has to meet the increasing global challenges. Education must be relevant to national priority to develop entrepreneurs who can enter the knowledge economy. Restructuring of the relevant curricula is, therefore, necessary to develop skills and competencies of the workforce.
- Encouragement of the women entrepreneurs who must participate in the economic development by providing them with more conducive working environment.
- Development of business incubators and Technology parks to support innovation by providing entrepreneurship practicum integrated into the academic curriculum and internship.
- MFIs need to know their customer and market so as to design products to fit the financial requirements of the people they serve.
- Skill development training programs which can be arranged for clients in rural and remote areas of the country through mobile squads of trainers.
- Through experience, it has been proven that poor are credit worthy. They are prompt in repayment of loan despite comparatively higher rate of interest / mark up being charged on loans in view of high administrative cost involved. However, the rate of mark up charged should be much less than what is charged by private money lenders so that the poor could make their businesses as buoyant as possible and take a sigh of relief.

Conclusion:

In Pakistan, more and more people are moving towards poverty line every year, and the growth rates are explained by the growing disparity between rich and the poor. This is something our government has now finally begun to recognize. The poverty of countries like Pakistan mainly stems from her backwardness, illiteracy, inadequate health care, porous tax collection systems, massive leakage in the government budgetary expenses, disorganized land records, corrupt administration, fragile law and judicial systems, etc. Despite these menaces, microfinance still can help take millions out of poverty but it does not get rid of structural problems. However, what remains to be required is the actual commitment from the heart of the policy makers need to learn from the fact that the role of Microfinance is integral to the large scale operations and is

not a residual activity. The policy makers and the banking system have the potential to make the microfinance sector horse run, provided the right kind of prescription is applied.

The new world order requires Pakistan to prepare herself to face challenges of the global economy. This involves a substantially different type of education to be imparted, focused not only on mastery of subject matter but also on the development of various other skills such as the ability to think critically, innovate, communicate effectively, work efficiently in terms, develop entrepreneurship, take well calculated risks, face and manage changes in flexible manners. Keeping the economic definition of entrepreneurs in mind, it is observed that there are no government policies for medium sized enterprises. The government has been of the opinion that investment in large industrial sectors is "entrepreneurship". Therefore, government, private sector, universities and research institutions have to play a dynamic role in the development of entrepreneurship or building knowledge based economy in Pakistan. Microfinance and entrepreneurship together bring new ways for development of a variety of businesses. Poor is generally more sensitive to their businesses and they have to work hard as they do not have any other option to survive. They always think about their businesses and try to do something new provided they have any opportunity. Implementation of entrepreneurial ideas in micro enterprises brings productive results and more profit. Therefore, combination of microfinance and entrepreneurship is a very effective development tool that can be appropriately used to alleviate poverty and empower people with more speed. Lending methodology of Akhuwatis Qarz-e-Hassna, a pure Islamic way of financing at micro level of business. As already discussed, Akhuwatis charging five percent of total loan as membership fee whereas they are bearing seven percent expense. According to Akhuwat, if they expand their business operations, they will be able to minimize the expenses to a five percent level. Researchers, however, concluded that it would not be a consistent way in future to minimize the cost because expansion in operations would entail additional expenses on the setting up of offices, hiring people and payment on account of other utilities. Therefore, to progress in consistent way, Akhuwat should adopt additional strategy of financing with Qarz-e-Hassan. In the opinion of researchers, Murabaha mode of financing with Qarz-e-Hassna. In the opinion of researchers, Murabaha mode of financing will suit Akhuwat can, therefore, purchase products or materials of anyone which borrowers need by adding some profit to their prices. It can also strive to make use of latest technology and management information system in order to make their service accessible to the

poorest of poor in far-flung areas without involving additional administrative cost and plough back profit for further lending or to use in expanding operations. Akhuwatis giving loans to individuals, and have finished giving loan in solidarity groups. Researchers enquired into this issue and raised questions during interview with different professionals. They reached the consensus that solidarity group lending was more effective than giving loans to individuals due to involvement of higher expenses in handling individual loans. And when there are thousands of borrowers benefiting from Akhuwat, it will entail substantial administrative cost that can affect sustainability of Akhuwat. In order to rationalize administrative cost, therefore, Akhuwatshoul adopt strategies of lending both to individuals as well as solidarity groups taking the population density factor into consideration. In addressing linkage between sustainability and social entrepreneurship, researchers tried to find out the work done in the field of "Social Entrepreneurship" and its impact on the sustainable development which the United Nations has set as a Millennium Development Goal. The theories developed in this respect have therefore, been applied to study working of Akhuwatwhich is operating in the filed of Micro financing with its new lending model developed according to "Shariah". Eventually, researchers have found out that Akhuwatis a non profit organization which gives interest free loans to the poorest people of Pakistan. Even small amounts of lending for sure, have helped in reduction of poverty. This organization is contributing to economic, social, health and educational values to sustainable development because its consideration is not profit making but creation of social value. In Short, AkhuwatQualifies for the definition of sustainable development advanced by Brundtland (1987) as it is: (a) satisfying basic human needs by creating job places for people and giving them opportunity to sustain their lives by themselves by providing poor layer of society with group and individual loans without interest; (b) changing norms and behavior to create opportunities by giving loans to women and securing their rights in society; (c) creating environment to meet needs of future generations. During 2006, it has given 132 educational loans and 218 marriage loans to poor families. We have reached to the conclusion that Akhuwat is dedicated to improving the lived of the poor who are financially abused, abandoned and disregarded by society through provision of interest free loans so that they could acquire livelihood, skills and support they need to reach their full potential. Akhuwat, a fine example of civil society at its best, will continue to be an inspirational place, a haven, where hope for the future blossoms.

Recommendations:

Researchers are of the opinion that there is a dire need to,

1. Develop and organize basic statistics pertaining to micro business so as to help researchers and institutions to make assessment of the market situation in a more professional manner . Government of Pakistan must come forward in institutionalizing this sector.
2. Carry out more research on lending methods of microfinance besides solidarity group financing.
3. Investigate into micro entrepreneurship as in developing countries, micro businesses with traditional ways are apprehended not to succeed.
4. Innovate production processes so as to reinforce economic viability of the micro businesses.
5. Explore feasibility of Islamic modes of micro financing to help the poor to develop their own business avenues.
6. Discover Social Entrepreneurship based on profit and non profit, public, private and non government models.

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